

**Sullivan
Mining group
Ltd.**

**East
Sullivan mines
Limited**

**Annual
Report
1970**

AR26



**EAST SULLIVAN MINES LIMITED and its subsidiary
SULLIVAN MINING GROUP LTD.**

Montreal, April 6, 1970

To the Shareholders:

The company's second quarter profits for the period ending February 28, 1970, have been maintained at a high level due to metal prices. At the same time, we wish to report that your company has renewed its labour contracts for three years, starting from February 1970, which contracts are affecting the Cupra Division, d'Estrle Mining Company Ltd. and Weedon Mines Ltd.

Your company's integration policy has been pursued. As a result of it, Sullivan Mining Group Ltd. has recently acquired all the outside interests of Weedon Mines Ltd. and Chester Mines Limited.

Our aggressive outside exploration programme is pursued and, this year, will exceed \$1.5 million of expenditures in various districts of the provinces of Quebec and New Brunswick. One of these programmes carried out in New Brunswick and concerning Brunswick Tin Mines Limited, one of your company's subsidiaries, is showing signs of a very large potential of a multi-mineral deposit where, in one section of the property, two zones of substantial tonnage have been indicated by diamond drilling with prevailing molybdenum, tungsten and bismuth values. It is premature to ascertain any definite grade and the recovery percentage of these metals before a full programme of metallurgical research is launched, which is the company's present target. According to the company's geologists, great expectations are justified.

Jointly with Dome Mines Limited, your company has been carrying on its exploration work and diamond drilling on a property held by one of the company's affiliates known as Clinton Copper Mines Limited, where in separate zones a total tonnage of approximately 1,800,000 tons has been indicated by diamond drilling with commercial grade of over 2% copper and some zinc values, thereby nearly doubling the tonnage reported earlier, in our last annual report.

Finally, the development work at D'Estrle Mining Company Ltd. and Weedon Mines Ltd., wholly owned subsidiaries of Sullivan Mining Group Ltd., is progressing at a very good pace and with results obtained so far, shall add up a very substantial tonnage thereby extending the life of the Sullivan Mining Group's operations for many years to come in that area.

On behalf of the Board,

J. Jacques Beauchemin, President

COMBINED STATEMENT OF OPERATIONS

(SUBJECT TO YEAR END AUDIT)

	FEBRUARY 28	
	1970	1969
Net Production	\$ 8,742,068	\$ 7,659,688
Costs and expenses	4,784,721	4,944,549
Operating profit	3,957,347	2,715,139
Investment and other income	434,290	499,282
	4,391,637	3,214,421
Provision for taxes	825,000	510,000
	3,566,637	2,704,421
LESS:		
Portion of profit (loss) of a subsidiary company applicable to minority interests	4,854	(26,679)
Net combined earnings	\$ 3,561,783	\$ 2,731,100
Interest of the outside shareholders in the above earnings:		
3,725,000 shares of Sullivan Mining Group Ltd.	\$ 2,019,111	\$ 1,548,212
2,846,032 shares of East Sullivan Mines Limited	1,542,672	1,182,888
6,571,032 shares	\$ 3,561,783	\$ 2,731,100
Net effective earnings per share held by the outside shareholders	\$ 0.54	\$ 0.42

NOTES

The Combined Statement of Operations for the three months ended February 28 1970 results from the Consolidation of the Net Earnings of:

East Sullivan Mines Limited
Sullivan Mining Group Ltd.
Nigadoo River Mines Limited

The Combined Statement of Operations for the corresponding period of 1969 results from Combined Earnings of East Sullivan Mines Limited, Sullivan Mines Ltd., Quebec Lithium Corporation, Cupra Mines Ltd., Nigadoo River Mines Limited and Sullico Mines Limited.

COMBINED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(SUBJECT TO YEAR END AUDIT)

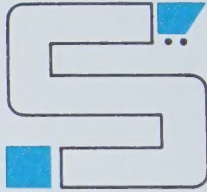
	FEBRUARY 28
	1970
WORKING CAPITAL at beginning of year.	\$ 16,944,302
SOURCE OF FUNDS:	
Net combined earnings for the period	3,561,783
Minority interests on profits of a subsidiary company consolidated	4,854
Depreciation and amortization	1,043,287
	\$ 4,609,924
APPLICATION OF FUNDS:	
Dividends paid to outside shareholders	1,639,516
Outside exploration	308,779
Pre-production expenditures	1,617,646
Additions to fixed assets	677,424
Investments and advances to subsidiary and affiliated companies	1,508,116
Miscellaneous	11,327
	5,762,808
Net decrease in working capital	1,152,884
WORKING CAPITAL, end of period	\$ 15,791,418

NOTES

The Combined Statement of Source and Application of Funds, as at February 28, 1970, results from the consolidation of:

East Sullivan Mines Limited, Sullivan Mining Group Ltd., Nigadoo River Mines Limited, D'Estrle Mining Company Ltd., and Weedon Mines Ltd.

As the amalgamation of the companies which are now forming Sullivan Mining Group Ltd., took place on September 2, 1969, the Combined Statement and Application of Funds as at February 28, 1969, is not available.



**Rapport
intérimaire
combiné
pour les six mois
terminés
le 28 Février
1970**

**EAST SULLIVAN MINES LIMITED
GROUPE MINIER SULLIVAN LTÉE**

2500 — 500 Place d'Armes, Montréal 126, Qué.



Aux actionnaires,

Montréal, le 6 avril 1970

Les profits de votre compagnie, pour le deuxième trimestre se terminant à la fin de février 1970, ont été maintenus à un haut niveau en raison des prix des métaux. En même temps, nous désirons vous faire rapport que votre compagnie a renouvelé ses contrats de travail pour trois années avec effet rétroactif au mois de février 1970, contrats affectant la division Cupra, La Société Minière d'Estrée Ltée et la Société Minière Weedon Ltée.

Votre compagnie a continué sa politique d'intégration et comme résultat, dernièrement, a acquis les intérêts des actionnaires extérieurs dans la Société Minière Weedon Ltée et dans Chester Mines Limited, l'une et l'autre étant maintenant des subsidiaires entièrement contrôlées.

Notre exploration extérieure se poursuit encore agressivement cette année et excédera \$1.5 million qui seront dépensés dans divers districts des provinces du Québec et du Nouveau-Brunswick. Un de ces programmes actuellement en cours dans le Nouveau-Brunswick et concernant Brunswick Tin Mines Limited, une subsidiaire de votre compagnie, donne des signes d'un dépôt de plusieurs minéraux à potentiel considérable et dans une section de cette propriété, deux zones à tonnage substantiel dont les valeurs prédominantes sont le molybdène, le tungstène et le bismuth ont été indiquées par forage au diamant. Il est prématuré de déterminer une teneur définitive ainsi qu'un pourcentage de récupération de ces métaux avant qu'un programme complet de recherches métallurgiques n'ait été entamé, chose qui est l'objectif immédiat de la compagnie en question. D'après les géologues de la compagnie, de grands espoirs sont permis.

Concurremment avec la compagnie Dome Mines Limited, votre compagnie a continué son programme d'exploration et de forage au diamant sur les propriétés d'une compagnie affiliée connue sous le nom de Clinton Copper Mines Limited où, dans des zones séparées, un tonnage total d'environ 1,800,000 tonnes a été indiqué par forage avec une teneur commerciale de plus de 2% en cuivre, doublant presque par là le tonnage rapporté plus tôt dans notre dernier rapport annuel.

Enfin, les travaux de développement à la Société Minière d'Estrée Ltée ainsi qu'à la Société Minière Weedon Ltée, maintenant entièrement possédées par Groupe Minier Sullivan Ltée, progressent à un très bon rythme et, avec les résultats obtenus jusqu'ici, ajouteront un tonnage considérable, prolongeant la vie des opérations de Groupe Minier Sullivan Ltée de plusieurs années dans ce district.

Au nom du Conseil,

J. Jacques Beauchemin, Président

EAST SULLIVAN MINES LIMITED et sa filiale GROUPE MINIER SULLIVAN LTÉE

ÉTAT COMBINÉ DES OPÉRATIONS

(SUJET À VÉRIFICATION DE FIN D'ANNÉE)

	28 FÉVRIER	
	1970	1969
Production nette	\$ 8,742,068	\$ 7,659,688
Coûts et dépenses	4,784,721	4,944,549
Profit d'opérations	3,957,347	2,715,139
Revenus de placements et autres revenus	434,290	499,282
	4,391,637	3,214,421
Provision pour impôts	825,000	510,000
	3,566,637	2,704,421

MOINS:

Partie du profit (perte) d'une compagnie subsidiaire attribuable aux intérêts minoritaires	4,854	(26,679)
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Bénéfices nets combinés	\$ 3,561,783	\$ 2,731,100
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Intérêts des actionnaires extérieurs dans les bénéfices ci-haut:

3,725,000 actions Groupe Minier Sullivan Ltée .	\$ 2,019,111	\$ 1,548,212
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2,846,032 actions East Sullivan Mines Limited . .	1,542,672	1,182,888
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6,571,032 actions	\$ 3,561,783	\$ 2,731,100
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Bénéfices nets effectifs par action détenue par les actionnaires extérieurs	\$ 0.54	\$ 0.42
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NOTES

L'état combiné des opérations, pour la période terminée le 28 février, 1970 résulte d'une combinaison des bénéfices des compagnies suivantes:

Groupe Minier Sullivan Ltée
East Sullivan Mines Limited
Nigadoo River Mines Limited

L'état combiné des opérations, pour la période correspondante de 1969 résulte d'une combinaison des bénéfices des compagnies suivantes:

Les Mines Sullivan Ltée, East Sullivan Mines Limited, Sullico Mines Limited, Quebec Lithium Corporation, Société Minière Cupra Ltée et Nigadoo River Mines Limited.

ÉTAT COMBINÉ DE LA SOURCE ET DE L'EMPLOI DES FONDS

(SUJET À VÉRIFICATION DE FIN D'ANNÉE)

	28 FÉVRIER 1970
FONDS DE ROULEMENT au début de la période	\$ 16,944,302
SOURCE DES FONDS:	
Bénéfices nets combinés de l'exercice	3,561,783
Intérêts minoritaires des bénéfices d'une compagnie subsidiaire consolidée	4,854
Dépréciation et amortissement	1,043,287
	\$ 4,609,924

EMPLOI DES FONDS:

Dividendes payés aux actionnaires extérieurs .	1,639,516
Exploration extérieure	308,779
Dépenses préliminaires à la production	1,617,646
Additions aux immobilisations	677,424
Acquisitions d'actions et de débetures et avances à des filiales	1,508,116
Divers	11,327
	5,762,808

Diminution du fonds de roulement	1,152,884
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FONDS DE ROULEMENT à la fin de la période	\$ 15,791,418
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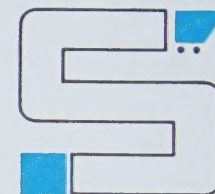
NOTES

L'état combiné de la source et de l'emploi des fonds au 28 février, 1970 est le résultat d'une consolidation des compagnies suivantes:

East Sullivan Mines Limited, Groupe Minier Sullivan Ltée, Nigadoo River Mines Limited, Société Minière Weedon Ltée et Société Minière d'Estrée Ltée.

Étant donné que les compagnies qui forment Groupe Minier Sullivan Ltée ont été fusionnées en date du 2 septembre 1969, il est impossible de soumettre l'état de la source et de l'emploi des fonds au 28 février, 1969.

AR26



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**Combined
Interim
Report
for the six months
ended
February 28
1970**

EAST SULLIVAN MINES LIMITED
SULLIVAN MINING GROUP LTD.

2500 — 500 Place d'Armes, Montreal 126, Que.

Sullivan Mining Group Ltd.

and

East Sullivan Mines Limited

COMBINED HIGHLIGHTS

	1970	1969 (in thousands)	1968
Production	\$20,476	\$23,916	\$20,685
Outside Exploration	2,002	1,123	810
Net Income	5,603	5,916	5,244
Net Income per share	0.85	0.90	0.80
Working Capital	12,660	16,944	15,692
Total Assets	41,071	39,261	37,515

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*Les actionnaires qui
préféreraient recevoir ce rapport
en français sont priés
de communiquer avec le
secrétaire de la compagnie.*

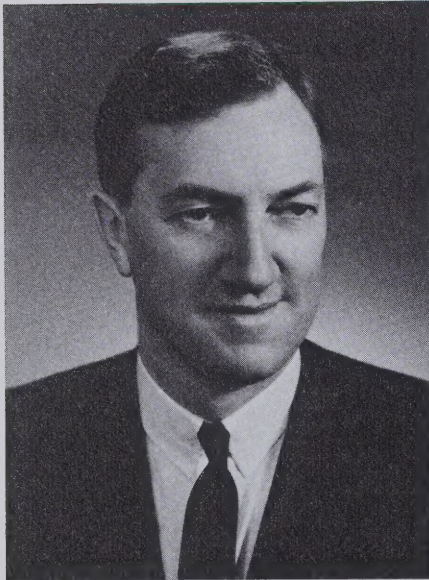
To the shareholders of

East Sullivan Mines Limited

(No Personal Liability)

and

Sullivan Mining Group Ltd.



The combined financial statements of your companies, as at August 31, 1970, are included in this report, together with reviews of operations and exploration activities.

Shareholders will recall that, at the end of the 1969 fiscal year, East Sullivan Mines Limited was reorganized and on September 2, 1969, a number of companies were amalgamated under the name of Sullivan Mining Group Ltd. Subsequently, for each of its authorized and issued shares, East Sullivan Mines received one share of Sullivan Mining Group Ltd.

This report carries the balance sheet of East Sullivan Mines and the consolidated balance sheet of Sullivan Mining Group Ltd. which together serve as the basis for preparation of the combined statements.

Among highlights covered in the report are a number of significant features, including the major increases to ore reserves levels at both producing properties and prospective producers, the accelerated programs of outside exploration and the respective start-up of two new mines within the Sullivan mining group, to wit, D'Estrie Mining Company Ltd. and Weedon Mines Ltd.

PROFITS FOR THE YEAR

Net combined profits amounted to \$5,600,000 compared with \$5,900,000 in the preceding year. This is equal to \$0.85 per share, compared with \$0.90. Principal factors contributing to the slightly reduced profit were lower average prices received for copper, lower volume of production due to preparation and development work on new ore deposits, also the negative effect on production returns resulting from the unpegging of the Canadian dollar.

SHAREHOLDERS' EQUITY

Per share equity has risen from \$5.72 to \$6.05 for Sullivan Mining Group Ltd. and from \$5.82 to \$6.15 for East Sullivan Mines Limited. Total

shareholders' equity now amounts to \$40.0 million, an increase of \$2,100,000 over the total as at August 31, 1969. Overall yield, after allowance for taxes, is equal to 14.7% annually based on total equity as at August 31, 1969.

DIVIDENDS PAID TO SHAREHOLDERS

Four quarterly dividends, of \$0.12½ per share each, were paid to shareholders in the course of the last fiscal year. The total combined disbursements, as dividends to the outside shareholders, was \$3,285,514 in the 1970 fiscal year.

FINANCIAL POSITION WORKING CAPITAL

The combined financial statements reflect a strong financial position.

Working capital at \$12,600,000 is not at the same level as last year; this is mainly the result of several important and positive factors. One is the acquisition of the minority interests in Weedon Mines Ltd. and Chester Mines Limited at total cost of \$640,000. Another and by far the most important factor is the approximate \$3,960,000 investment by Sullivan Mining Group Ltd. to carry on preparation of these two Eastern Townships mines for production, to wit: D'Estrie Mining Company Ltd. and Weedon Mines Ltd.

It should be emphasized that the Eastern Townships mining camp has, for a number of years, been the principal source of profits for your companies and, for the future, promises to continue to make an important contribution to the companies' earnings. The impact of the Eastern Townships operations on the growth of the Sullivan mining group does, I believe, provide strong justification for continuance of our policy — whenever feasible — of internal financing of new mining projects.

In this regard, and as further explanation on the working capital level, the Sullivan group has made during the year, for the Brunswick

Tin Mines Limited and Chester Mines Limited programs, advances amounting to \$1,300,000 and \$187,000 respectively.

PRODUCTION

The report of the vice-president (mines) provides considerable production details, including comparative figures for 1969-1970.

The level of production will rise during the 1971 fiscal year when the two new mines, D'Estrie and Weedon, will be in regular production.

Profits from the operations of subsidiary Nigadoo River Mines Limited should, in the long term, be sufficient to fully reimburse the group for capital invested, as well as provide for payment of interest on income debentures. Any future increase in the Nigadoo mine's reserves should result in an improved yield on the Nigadoo Mines investment.

PRODUCTION DEVELOPMENT

D'Estrie Mining Company Ltd. will be a major source of ore for the Eastern Townships concentrator for several years.

At the Weedon Mines property appreciable reserves have been confirmed and there are strong reasons to believe that additional ore will be developed in coming years.

Production from these two new mines will more than adequately replace the ore coming from the Solbec mine, a deposit which will soon be exhausted. It is of interest to note that under changes contemplated in Federal taxation policy, the tax-exempt benefits for new mines coming into production should pertain to the end of 1973.

At the Cupra mine, a program of accelerated development was carried out during the year. Results were gratifying and the level of reserves, after allowing for 1970 fiscal year production, has risen.

EVENTUAL PRODUCERS

Clinton Copper Mines Ltd., another Eastern Townships property, shows promise as an eventual producer. The group, jointly with Dome Mines Ltd., is pursuing a program of diamond drilling on the Clinton property.

Chester Mines Limited, now wholly owned, is a New Brunswick property which also should become a producer in the future.

In the case of both Clinton and Chester, however, the directors have postponed decisions regarding specific production scheduling. This has been done reluctantly, but is considered prudent in view of the unsettled condition of Federal fiscal policy and the yet-undefined tax changes that will be legislated by the Federal Government.

OUTSIDE EXPLORATION

Your companies continue to extend their exploration reach and aggressively seek new mineral situations. During the latest fiscal year more than \$2 million was spent on outside exploration. This figure represents the double over the 1969 exploration budget and close to the triple over the 1968 figure.

OTHER PURSUITS

On all properties being explored by the Sullivan group, perhaps the most promising and, at the same time, most difficult to assess is undoubtedly the Brunswick Tin Mines Limited project near St. Stephen, in New Brunswick.

The report of the manager of exploration, Mr. Gilles Carrière, points out that the large tonnage indicated by extensive diamond drilling, along with favorable grades of mineralization, suggests a unique and important development. It is a deposit with multiple minerals, with the metals being predominantly molybdenum, tungsten and bismuth.

Metallurgical research and testing of the Brunswick Tin Mines

mineralization is continuing and this work will be expanded.

Through Sullivan Mining Group Ltd., your companies hold 78% interest in Brunswick Tin Mines. Substantial outlays will still be necessary to provide all information needed to evaluate the property and permit production planning. To the present time, however, results have been positive and the property could ultimately prove to have a dominant influence on the longevity and profitability of the operations of your company.

CONCLUSION

During the past fiscal year, your companies and their affiliates have been able to achieve large increases in totals of proven, probable and indicated reserves, for both present and prospective producers. This is regarded as a major step forward.

Your management believes that the shareholders may also share our confidence for the future viability and profitability of the group's operations, based to a significant

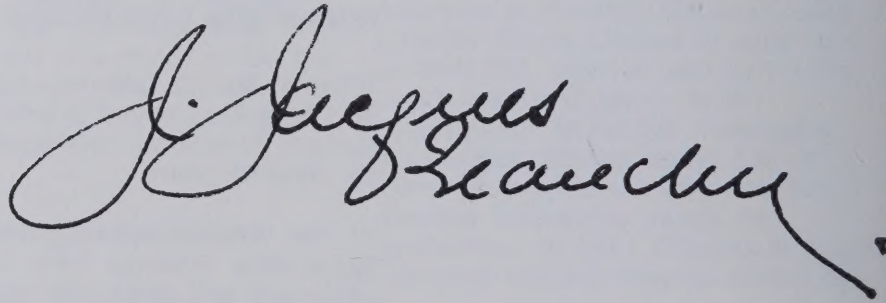
degree on the widening scope of minerals covered in present and future production. This latitude gives the group increased resiliency in contending with periodic or cyclical swings in metal market prices.

I should also report to you that it has been deemed advisable to temporarily suspend the application for listing shares of Sullivan Mining Group Ltd. on the American Stock Exchange. Shareholders may appreciate that, again in view of the unsettled economic and legislative climate, it would not be prudent to pursue the ASE listing at the present time.

ACKNOWLEDGEMENT

I wish to sincerely thank all employees for their loyalty and contributions towards the progress of the companies. The cordial relations existing with the management of the companies in the Sullivan mining group is valued.

ON BEHALF OF THE BOARDS
OF DIRECTORS.

A large, stylized handwritten signature in black ink, reading "J. Jacques Beauchemin". The signature is written in a cursive style with a long, sweeping underline.

J. Jacques Beauchemin,
President.

Montreal,
October 16, 1970.



Roger PLASSE, Eng.
General Manager

André BEAUCHEMIN, Eng.
Executive Vice-President

Dr. Pierre SAUVE, Ph.D.
Chief Geologist

Gilles DIONNE, Geologist
Assistant Manager,
Exploration Division

Mining Operations

This report reviews the mining operations of Sullivan Mining Group Ltd's mines and of its subsidiaries, D'Estrie Mining Company Ltd, Weedon Mines Ltd, and Nigadoo River Mines Limited.

Solbec Mine

Ore mined amounted to 132,060 tons of an average grade of 1.05% copper, 0.93% lead, 3.71% zinc, 0.023 ounce of gold and 2.041 ounces of silver.

The ore reserves at year-end were 24,000 tons of grade similar to the ore mined during the year. These limited reserves indicate termination of the Solbec operation at the end of this calendar year.

Cupra Mine

A total of 193,450 tons of ore was milled, with an average grade of 2.40% copper, 0.49% lead, 3.29% zinc, 0.014 ounce of gold and 0.990 ounce of silver per ton.

On the levels between the 1900-ft and 2650-ft horizons, a total of 8420 feet in development was carried out in cross-cutting, drifting, raising and stoping preparation, while 2,989 feet of diamond drilling were done.

The ore reserves were increased by 104,000 tons, to 636,000 tons of an average grade of 2.19% copper, 0.75% lead, 3.81% zinc, 0.012 ounce of gold and 1.00 ounce of silver per ton.

D'Estrie Mining Company Ltd.

Development was carried out on eleven levels, between the 2650-ft and 4475-ft horizons for a total of 12,524 linear feet, and 3,524 feet of diamond drilling were done.

The 34,834 tons of ore obtained from this development work were milled. Average grade of this diluted ore was 1.82% copper, 0.53% lead, 2.50% zinc, 0.015 ounce of gold and 1.00 ounce of silver.

The reserves as at August 31, 1970, are: 1,006,000 tons with an average grade of 3.15% copper, 0.48% lead, 2.78% zinc, 0.013 ounce of gold and 0.919 ounce of silver. These reserves are between the 2570-ft and 3725-ft horizons. No reserves can presently be compiled between the 3725-ft

and 4475-ft horizons due to the fact that drifting has not yet been undertaken there. The bottom level is the 3575-ft horizon where the ore has been totally exposed by drifting; 1276 feet of ore lengths have been opened up, giving an average grade of 3.03% copper, 0.27% lead, 1.49% zinc, 0.015 ounce of gold and 1.074 ounces of silver across a true width of 6.0 feet. This shows a tonnage of 1,140 tons per vertical foot at that horizon.

Two diamond drill holes, recently done at the 4475-ft level, have confirmed the downward extension of the orebody. The results obtained were 2.15% copper and 4.50% zinc across 3.0 feet in the first hole and 3.95% copper and 0.40% zinc across 2.0 feet in the second hole.

Weedon Mines Ltd.

Diluted ore from development at Weedon Mines, amounting to 28,612 tons, has been milled. The average grade was 0.91% copper, 0.82% zinc, 0.007 ounce of gold and 0.274 ounce of silver.

Development done during the year, by drifting, cross-cutting and raising, amounted to 12,388 feet. In addition, 24,801 feet of diamond drilling have been done on the developed levels and at depth.

So far, development and diamond drilling have confirmed reserves of 476,000 tons with an average grade of 1.66% copper and 0.64% zinc to the 2,050-ft level.

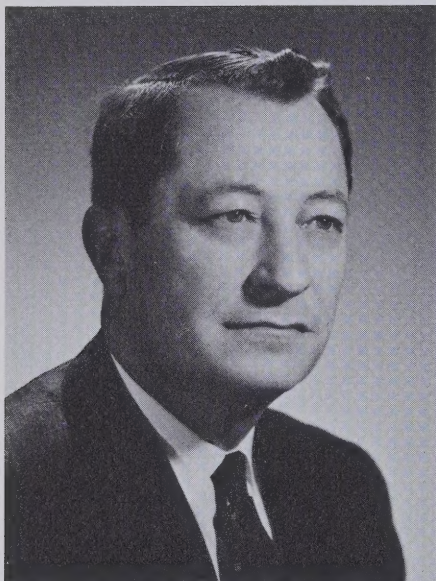
A potential tonnage of 192,000 tons with a grade of 1.60% copper and 0.25% zinc has been inferred by diamond drilling below the 2050-ft level.

In a near future, the inclined shaft will be deepened by another 700 feet in order to open up three additional levels. This will correspond to approximately 500 feet vertically.

Nigadoo River Mines Limited

A total of 319,689 tons of ore was milled with an average grade of 0.32% copper, 2.63% lead, 2.63% zinc and 3.59 ounces of silver per ton.

The ore reserves amount to 2,200,000 tons with grade of 0.23% copper,



2.88% lead, 2.84% zinc and 3.67 ounces of silver.

Development and stope preparation have been carried out on the main zone and the "C" Zone. The underground work has well confirmed the ore previously indicated by diamond drilling.

This development work will be carried on at an accelerated rate during the coming year. A program will also be undertaken to open-up the "Authonian" zone.

GENERAL

The collective labour agreement has been renewed for a period of three years, ending in December 1972, in the Eastern Townships operations.

At Cupra mine the ore reserves were increased by more than 100,000 tons, although some 200,000 tons were milled in the 1970 fiscal year.

At d'Estrie Mining Company the length of the ore exposed per level by drifting is double that of the adjacent Cupra property. This is shown on the isometric plan of the two mines on page 8 of this annual report.

At Weedon Mines, development has met expectations and the results of diamond drilling at depth indicate a potential for additional ore.

At Nigadoo River Mines, an improvement in production is expected. A systematic training program has been established to upgrade the qualifications of the underground working force and to improve efficiency.

I wish to express my appreciation to Messrs R. B. Gosselin and C. Bourgoin, respectively manager and general superintendent of the Eastern Townships operations, to Messrs M. J. Gauvin and G. M. Doucet respectively manager and general superintendent of Nigadoo River Mines Limited, to Mr. E. W. J. Thornton, the chief metallurgist, and to the staff and all employees for their loyal services.



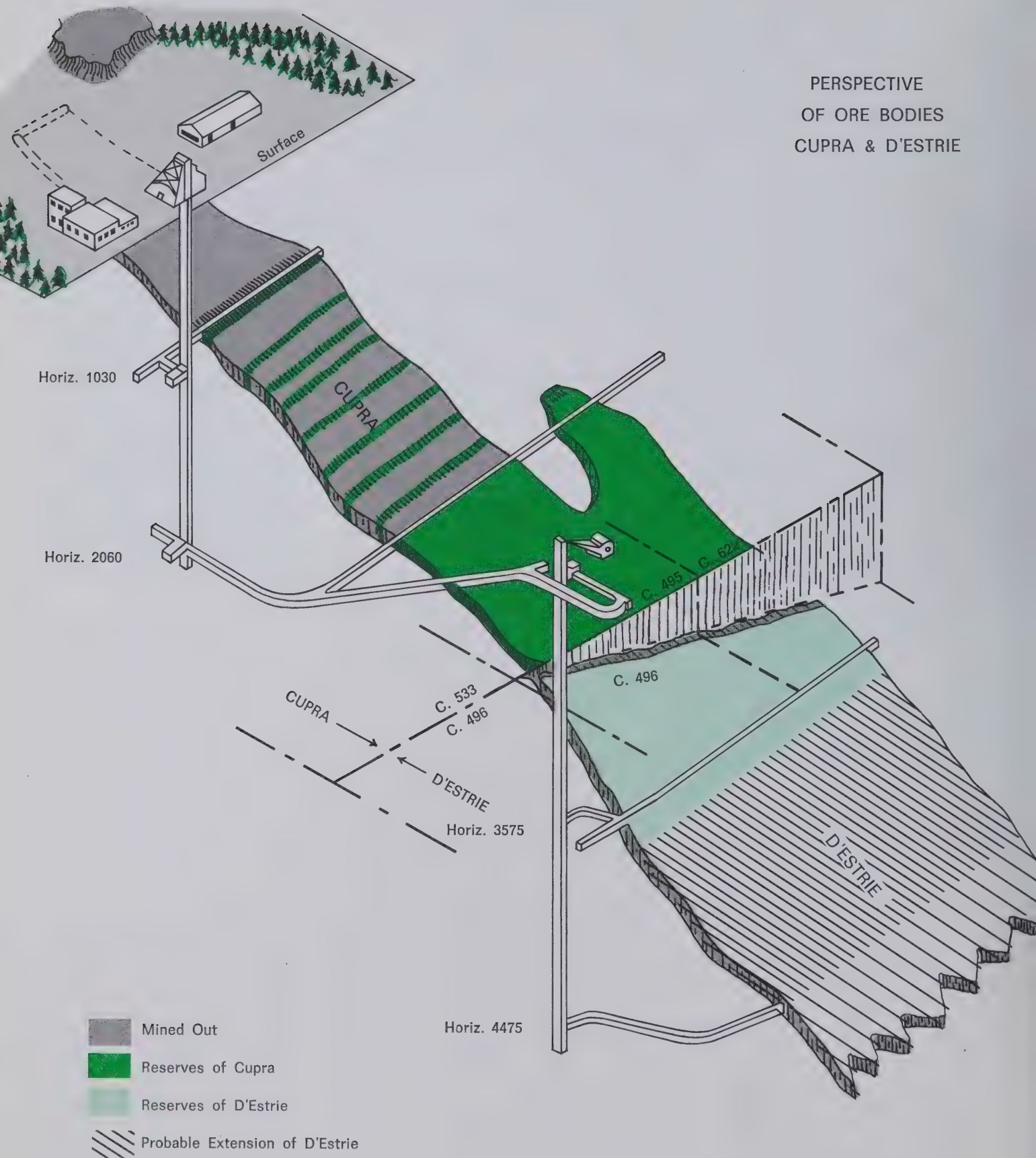
Lucien C. Béliveau, Eng.
Vice President, (Mines)

Montreal,
October 23, 1970.

Metals Production

Metals	Mines		Mining Companies			Total (1969-70)		Total (1968-69)	
	Solbec	Cupra	D'Estrie	Weedon	Nigadoo	Pounds (*ounces)	Value Dollars	Pounds (*ounces)	Value Dollars
			Development ore						
Copper (pounds)	2,328,792	8,727,012	1,227,686	501,136	1,349,636	14,134,262	\$ 9,290,124	17,508,999	\$12,066,618
Lead (pounds)	1,475,587	558,430	120,070	—	14,696,699	16,850,786	2,392,879	16,132,653	2,304,757
Zinc (pounds)	8,142,919	9,693,734	1,373,945	302,457	13,694,009	33,207,064	4,842,658	39,785,446	5,499,276
Gold (ounces)	1,601	1,716	344	67	—	* 3,728	137,150	* 5,086	224,504
Silver (ounces)	160,744	151,093	27,127	4,652	903,897	* 1,247,513	2,429,491	* 1,334,627	2,344,604
Cadmium (pounds)	43,409	49,202	6,700	—	182,070	281,381	998,888	310,067	1,162,326
Bismuth (pounds)	—	—	—	—	60,164	60,164	384,531	64,837	314,205
TOTALS:							\$20,475,721		\$23,916,290

PERSPECTIVE
OF ORE BODIES
CUPRA & D'ESTRIE



Review of exploration

In its continuing endeavour to enlarge ore reserves and find new deposits, Sullivan Mining Group Ltd. has again expanded its exploration activities and increased its expenditures for the fiscal year ended August 31, 1970, thus following the exploration policy of the Group over the last ten years.

Field work for that period was conducted over no less than forty properties, most of them situated either in Northwestern Quebec, the Eastern Townships and Gaspé areas of Quebec, or in the Province of New Brunswick. The total exploration expenses for the year were \$2.0 million compared with \$1.1 million for the previous year.

More than 60% of that amount was devoted to the Mount Pleasant project of Brunswick Tin Mines Limited. This project is taking a major role in the plans of the Group and is now considered as an important potential producer of tungsten and bismuth as well as a possible source of molybdenum, copper, tin and indium.

Two other projects account for nearly 15% of the exploration expenditures: the copper and copper-lead-zinc deposits of Chester Mines Limited near Newcastle, New Brunswick and the copper-zinc deposits of Clinton Copper Mines Ltd. near Lac Mégantic, Quebec.

BRUNSWICK TIN MINES LIMITED

Exploration of the Mount Pleasant property of Brunswick Tin Mines Limited has been pursued vigorously during the year both through diamond drilling and underground development. The 750 and 900 adits in the Fire Tower area were advanced a further 4369 feet. Advance in these developments for the previous period was 897 feet. Surface and underground diamond drilling was 67,837 feet, against 33,532 feet for last year.

Expenses for the year amount to \$1.3 million bringing to \$2.1 million the total spent by Sullivan Mining Group Ltd. since it started working on this project early in 1967.

The enlarged efforts of the last period have met with success. The overall tonnage now in sight in the various mineralized zones is close to forty million tons.

The tonnage of the tungsten-molybdenum-bismuth zones of the Fire Tower area has been increased from 10 million tons that it was a year ago to approximately 32 million tons. Based on the semi-quantitative assaying of the drill cores, the zones appear to have an average metal content of about 3.0 pounds of tungsten, 1.8 pounds of molybdenum and 1.4 pounds of bismuth (0.15% W, 0.09% Mo, 0.07% Bi)⁽¹⁾. Quantitative assaying is currently being done on all the mineralized intersections of core drilled to date. Assays by this more accurate method are expected to be completed by January 1971 and more exact calculations of both tonnage and grade will then be possible.

Another important result of the exploration work on that property is the discovery of widespread mineralization in an area now called the North Zone, in geological conditions similar to those found in the Fire Tower area. The North Zone is half a mile north of the latter and is adjacent to the underground workings put in by the predecessors. Several long ore grade intersections, some of them exceeding a hundred feet, were obtained in that zone during the year. The mineralization consists of disseminated sulfides of copper, lead, zinc and arsenic, with variable quantities of tin, molybdenum, tungsten and bismuth. Much diamond drilling remains to be done before the potential of this zone can be properly evaluated.

Other mineralized zones of smaller dimensions are known on the property, some of which might prove to be economically important.

(1) As a general reference, the market prices for these metals are given below (from the September 1970 issue of the Engineering & Mining Journal): Tungsten Ore: stu WO₃, 65% Min.: \$50-55. (Equivalent to about \$3. per pound of contained tungsten). Molybdenum Concentrates: 1b cont Mo., 95% MoS₂: \$1.72 per pound. Bismuth: \$6.00 per pound.

Work on the extractive metallurgy of the various minerals has progressed. Apart from bench flotation tests, a test was run at the pilot plant of the Mineral Processing Division of the Department of Energy, Mines and Resources in Ottawa. Complete results are unavailable at this time. Preliminary indications show however that differential flotation of the major sulfides is possible, although the complex concentrates obtained contain a great amount of accessory minerals. The results are also encouraging concerning the concentration of wolframite, the tungsten mineral. A great deal of additional metallurgical research will be necessary, and has been undertaken, to properly assess the economic value of that type of mineralization.

Exploration work on the project will continue throughout the year. There are presently four diamond drills on the property and one of the main drilling targets is the North Zone mentioned above. Consideration is also being given to additional underground development as a mean of getting more representative material for concentration tests; this would also permit to better define the known mineralized zones.

CHESTER MINES LIMITED

In the early part of the last fiscal year, the diamond drilling programme was completed on the property of Chester Mines Limited in New Brunswick. The footage for the year was 3400 feet, all in relatively deep holes in the west part of the ore structure.

This deeper drilling has shown that the copper bearing zone extends down the 20° dip to a depth of at least 2000 feet. Completion of the drilling campaign has permitted a revision of the ore reserves on the property. They may now be summarized as follows:

In two possible shallow open pits with a waste to ore ratio of 1 to 1, there would be 4.9 million tons consisting of 1.6 million tons of massive and semi-massive sulfides,

with a grade of 0.63% copper, 0.83% lead and 2.12% zinc, and 3.3 million tons of disseminated copper ore at a grade of 0.82% copper.

In the downward extension of the disseminated copper zone, diamond drilling has indicated a possible tonnage of 13 million tons with a grade of 0.77% copper. The bulk of this tonnage is found in two layers with average thickness of 47.5 and 66.9 feet respectively. Because of their attitude and shape, they could lend themselves to low cost methods of underground mining. (This tonnage of 13 million tons includes the previously published tonnage of narrower but richer sections amounting to 3.8 million tons at 1.58% copper).

Flotation tests have been completed and show a possible recovery of copper of over 92% from the disseminated copper ore. For the relatively low tonnage of massive and semi-massive sulfides, the indicated average recoveries would be 80% for copper and zinc and 50% for lead.

Various production plans are being considered that would permit profitable mining operations of these deposits.

CLINTON COPPER MINES LTD

Exploration has been continued throughout the period on the large property of Clinton Copper Mines Ltd. near Lac Mégantic, in Quebec. Control of the company is held jointly by Dome Mines Ltd. and Sullivan Mining Group Ltd.

Diamond drilling for the year totalled 65,050 feet and has indicated some 810,000 tons of new ore. The previously known tonnage has thus been nearly doubled. The total tonnage of the five distinct ore lenses is now 1.8 million tons with a grade of 2.02% copper and 1.54% zinc (including 20% dilution). The lenses are distributed along a strike length of four miles.

The mineralogy of the ore seems similar to that of the Solbec-Cupra-D'Estrie deposits so that good

recoveries of the metals are expected in concentration by flotation. This has been confirmed by bench flotation tests performed during the year.

Studies have been initiated concerning the feasibility of production from these deposits.

ORE RESERVES IN THE MINES⁽¹⁾

Development work and exploration in the mines in production or being prepared for production in the Eastern Townships of Quebec have significantly enlarged the overall tonnage available for mining and milling in the company's 1500 tons-per-day concentrator. The combined ore reserves of the Cupra, D'Estrie, Weedon and Solbec mines have been increased by about one million tons, to a new total of 2,334,000 tons of 2.43% copper, 0.42% lead, 2.39% zinc and 0.69 ounces of silver per ton. The ore reserves at Solbec are close to exhaustion and the mine is expected to end operations within the next six months.

Exploration was limited during the year at the mine of Nigadoo River Mines Limited, near Bathurst, N.B. Although new ore was found, some lower grade material included in last year's reserves was left out in this year's calculations because of lower metal prices. After mining 320,000 tons during the last period,

(1) Reserves of the Solbec, Cupra, D'Estrie, Weedon and Nigadoo mines are given in detail in the Report on Operations by Mr. Lucien C. Béliveau, Vice-President (Mines) on page 6.

the ore reserves now stand at 2.2 million tons with a grade of 0.23% copper, 2.88% lead, 2.84% zinc and 3.67 oz. of silver per ton. Reserves at the end of the previous period were 2.5 million tons of 0.25% copper, 2.66% lead, 2.66% zinc and 3.47 oz. of silver per ton.

Exploration in the various mines will continue for years to come. Considering the nature of the deposits and the geological conditions in which they occur, it seems fairly well assured that new ore will be found.

OTHER EXPLORATION PROGRAMMES

Exploration work has been performed on many other properties held either directly by Sullivan Mining Group Ltd. or belonging to subsidiary companies. More work has also been done on the Gaspé property of Sullipek Mines Inc. where Sullivan has maintained its minority interest along with Terra Nova Explorations Ltd., Patino Mining Corporation and Hudson Bay Exploration and Development Company Limited.

Promising indications were obtained on some projects while a few properties were abandoned after negative results. Several new exploration proposals have also been examined and studied, both in Canada and abroad. The Group is confident that with consistent efforts, other deposits will be found and new mines will be developed in the years to come.

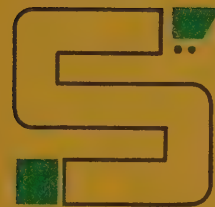


Gilles Carrière, Eng.,
Exploration Manager.

Montreal,
October 23, 1970.

Location of Mining Properties and Principal Exploration Areas





**SULLIVAN
MINING GROUP LTD.**

and

**EAST
SULLIVAN
MINES LIMITED**

**Combined
Financial
Statements**

As at August 31, 1970

Sullivan Mining Group Ltd.
(Incorporated under the Quebec Companies Act)
and
East Sullivan Mines Limited
(No Personal Liability)
(Incorporated under the Quebec Mining Companies Act)

ASSETS

	August 31, 1970	September 2, 1969 (Note 3)
CURRENT ASSETS		
Cash and term deposits	\$ 2,459,682	\$ 7,526,275
Marketable securities at cost (market value : 1970 \$4,879,954 — 1969 \$5,319,177)	4,696,532	5,196,687
Accounts receivable — unconsolidated subsidiaries	174,525	120,806
— others	96,922	261,307
Accrued interest receivable	37,754	44,101
Concentrates valued at estimated net return under firm sales contracts, less advances thereon	3,914,211	3,002,812
Mining and milling supplies :		
valued at average cost	1,393,875	1,570,196
valued at possible amount of realization	209,697	53,800
Prepaid expenses	74,250	69,070
Recoverable income taxes and prepayments	584,622	311,734
	<u>13,642,070</u>	<u>18,156,788</u>
 INVESTMENTS AT COST AND LOANS AND ADVANCES — (Note 4)	 <u>5,606,532</u>	 <u>3,146,948</u>
 FIXED ASSETS — (Note 6)		
Real estate at cost	111,175	111,175
Land, buildings, plant and equipment at cost, less accumulated depreciation 1970 — \$6,753,820 (1969 — \$6,038,652)	8,342,025	8,003,925
Buildings, plant and equipment at cost, reduced by proceeds of sales, less accumulated depreciation 1970 — \$2,282,651 (1969 — \$2,282,651)	13,335	22,842
Mining properties, claims and concessions at cost	351,255	547,898
	<u>8,817,790</u>	<u>8,685,840</u>
 OTHER ASSETS AT COST, less amounts written off — (Note 6)		
Deferred development expenditures	11,974,620	8,166,264
Outside exploration expenditures	1,021,892	1,009,283
Other deferred expenses	7,999	96,223
	<u>13,004,511</u>	<u>9,271,770</u>
	<u>\$41,070,903</u>	<u>\$39,261,346</u>

Approved on behalf of the Board of Directors :

J. JACQUES BEAUCHEMIN
LUCIEN C. BELIVEAU

AUDITORS' REPORT TO THE SHAREHOLDERS

The accompanying notes are part of the financial statements.

COMBINED BALANCE SHEET

As at August 31, 1970

(with corresponding figures as at September 2, 1969)

LIABILITIES

STATEMENT 1

	August 31, 1970	September 2, 1969 (Note 3)
CURRENT LIABILITIES		
Accounts payable — subsidiary and affiliated companies	—	\$ 8,441
— others	\$ 664,790	592,705
Wages payable	66,756	100,256
Provision for Quebec mining duties (Note 5)	250,763	521,146
Unclaimed dividends	—	11,413
	<u>982,309</u>	<u>1,233,961</u>
MINORITY INTERESTS IN SUBSIDIARIES		
Nigadoo River Mines Limited	51,591	77,687
Weedon Mines Ltd.	—	56,250
	<u>51,591</u>	<u>133,937</u>
INTEREST OF OUTSIDE SHAREHOLDERS		
Sullivan Mining Group Ltd.		
Capital Stock :		
Authorized — 10,000,000 shares without par value		
Issued and fully paid —		
8,400,000 shares	11,242,600	11,242,600
LESS: 4,675,000 shares held by East Sullivan Mines Limited	6,257,042	6,257,042
3,725,000 shares held by the outside shareholders	4,985,558	4,985,558
Combined contributed surplus — statement 3	2,074,105	2,074,105
Combined retained earnings — statement 4	15,480,960	14,266,772
Interest of 3,725,000 shares held by the outside shareholders	22,540,623	21,326,435
East Sullivan Mines Limited		
Capital Stock :		
Authorized, issued and fully paid		
4,675,000 shares without par value	4,250,000	4,250,000
LESS: 1,828,968 shares held by Sullivan Mining Group Ltd.	1,662,697	1,662,697
2,846,032 shares held by the outside shareholders	2,587,303	2,587,303
Combined contributed surplus — statement 3	426,450	426,450
Combined retained earnings — statement 4	14,482,627	13,553,260
Interest of 2,846,032 shares held by the outside shareholders	17,496,380	16,567,013
	<u>\$41,070,903</u>	<u>\$39,261,346</u>
To the Shareholders		
Sullivan Mining Group Ltd.		
and East Sullivan Mines Limited		

We have examined the combined balance sheet of Sullivan Mining Group Ltd. and East Sullivan Mines Limited (No Personal Liability) as at August 31, 1970 and the combined statements of earnings, contributed surplus, retained earnings and source and application of funds for the year ended on that date.

These statements are prepared for the purpose of determining the interest of the outside shareholders, excluding that of Sullivan Mining Group Ltd. and of East Sullivan Mines Limited, and are based on the verified financial statements as at August 31, 1970 of Sullivan Mining Group Ltd. consolidated with certain of its subsidiaries (note 2) and of East Sullivan Mines Limited.

In our opinion, these financial statements when read with the notes relating thereto, present fairly the interest of the outside shareholders of Sullivan Mining Group Ltd. and East Sullivan Mines Limited as at August 31, 1970.

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants.

October 26, 1970.

The accompanying notes are part of the financial statements.

Sullivan Mining Group Ltd.
and
East Sullivan Mines Limited
(No Personal Liability)

COMBINED STATEMENT OF EARNINGS

for the year ended August 31, 1970
(with corresponding figures as at August 31, 1969)

STATEMENT 2

	August 31, 1970	August 31, 1969 (Note 3)
REVENUE FROM METAL RECOVERIES — PRODUCTION	\$20,475,722	\$23,916,290
Less : Cost of realization and freight	<u>7,275,029</u>	<u>8,072,470</u>
	13,200,693	15,843,820
DEDUCT :		
OPERATING COSTS		
Mining Operations	6,178,337	6,638,420
General administration expenses	493,181	616,015
Depreciation of buildings, plant and equipment	731,085	1,299,508
Amortization of pre-production expenditures	<u>559,805</u>	<u>922,755</u>
	7,962,408	9,476,698
OPERATING PROFIT	<u>5,238,285</u>	<u>6,367,122</u>
DEDUCT :		
OTHER EXPENSES		
Net recuperation and closing down expenses of closed and idle properties	103,468	101,248
Outside exploration expenses written-off	131,164	214,035
Amortization of bond expenses of subsidiary	<u>1,333</u>	<u>1,333</u>
	235,965	316,616
	<u>5,002,320</u>	<u>6,050,506</u>
OTHER INCOME		
Interest from unconsolidated subsidiaries	175,198	46,838
Other interest	536,883	559,416
Dividends	58,792	52,247
Profit on sales of investments	41,380	164,055
Profit or (loss) on disposals of fixed assets	<u>(8,862)</u>	<u>7,763</u>
	803,391	830,319
EARNINGS BEFORE TAXES AND MINING DUTIES	<u>5,805,711</u>	<u>6,880,825</u>
PROVISION FOR TAXES		
Federal and provincial income taxes	—	223,819
Provision for Quebec Mining duties	<u>215,000</u>	<u>765,970</u>
	215,000	989,789
NET EARNINGS	<u>5,590,711</u>	<u>5,891,036</u>
ADD : Minority interest's share of loss of Nigadoo River Mines Limited for the year	<u>11,959</u>	<u>24,824</u>
NET COMBINED EARNINGS for the year, carried to retained earnings. Statement 4 — (Note 8)	<u>5,602,670</u>	<u>5,915,860</u>
INTEREST OF THE OUTSIDE SHAREHOLDERS :		
Sullivan Mining Group Ltd. — 3,725,000 shares	3,175,096	3,353,595
East Sullivan Mines Limited — 2,846,032 shares	<u>2,427,574</u>	<u>2,562,265</u>
6,571,032 shares	<u>\$ 5,602,670</u>	<u>\$ 5,915,860</u>

The accompanying notes are part of the financial statements.

Sullivan Mining Group Ltd.

and

East Sullivan Mines Limited

(No Personal Liability)

COMBINED STATEMENT OF CONTRIBUTED SURPLUS

As at August 31, 1970

STATEMENT 3

	Sullivan Mining Group Ltd.	East Sullivan Mines Limited
Balance at beginning of year	\$ 4,677,177	\$ 700,503
DEDUCT :		
Portion applicable to intercompany holdings	2,603,072	274,053
Balance at August 31, 1970	<u>\$ 2,074,105</u>	<u>\$ 426,450</u>

COMBINED STATEMENT OF RETAINED EARNINGS

As at August 31, 1970

STATEMENT 4

	Sullivan Mining Group Ltd.	East Sullivan Mines Limited
Balance at beginning of year	\$22,638,164	\$ 8,640,988
ADD :		
Excess of the value of intercompany holdings over their cost	9,533,883	13,622,110
	32,172,047	22,263,098
DEDUCT :		
Portion applicable to intercompany holdings	17,905,275	8,709,838
Adjusted balance at beginning of period	14,266,772	13,553,260
ADD :		
Net combined earnings for the year	3,175,096	2,427,574
	17,441,868	15,980,834
DEDUCT :		
Excess of cost over value of shares of consolidated subsidiaries acquired during the year	\$ 96,190	
Amalgamation and reorganization expenses written off	75,533	
Net dividends paid during the year		
Sullivan Mining Group Ltd.	1,862,507	
East Sullivan Mines Limited	1,423,007	
Adjustment of prior years' income taxes	1,878	
	<u>\$ 3,459,115</u>	
	1,960,908	1,498,207
Balance as at August 31, 1970	<u>\$15,480,960</u>	<u>\$14,482,627</u>

The accompanying notes are part of the financial statements.

Sullivan Mining Group Ltd.

and

East Sullivan Mines Limited

(No Personal Liability)

COMBINED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

As at August 31, 1970

STATEMENT 5

Working capital as at September 2, 1969		\$16,944,302
SOURCE OF FUNDS :		
Net profit for the year	\$ 5,602,670	
Add — items not requiring cash outlay :		
Depreciation	731,085	
Amortization of deferred expenses	2,340	
Amortization of pre-production expenses	559,805	
Outside exploration written-off	131,164	\$ 7,027,064
Deferred expenses in 1969 reclassified as a current asset ..		10,351
		<u>7,037,415</u>
APPLICATION OF FUNDS :		
Additions to fixed assets (net of proceeds)	1,059,678	
Minority interests share of the loss of a consolidated subsidiary	11,959	
Investments acquired :		
Loans and advances to subsidiaries	1,706,587	
Loans and advances to affiliate	10,766	
Purchases of shares in subsidiaries	386,019	
Purchases of debentures of subsidiary company	269,902	
Purchases of other securities	212,293	
Outside exploration expenses	143,773	
Pre-production expenses	4,171,518	
Reclassification of a long-term debt to current liabilities ...	21,475	
Mortgages to employees (net of instalments received)	40,594	
Prior years' income tax adjustment	1,878	
Net dividends paid	3,285,514	11,321,956
Decrease in working capital		<u>4,284,541</u>
Working capital as at August 31, 1970.....		<u>\$12,659,761</u>

The accompanying notes are part of the financial statements.

Sullivan Mining Group Ltd.

and

East Sullivan Mines Limited

(No Personal Liability)

SUBSIDIARY COMPANIES NOT CONSOLIDATED

As at August 31, 1970

ANNEX 1

	Brompton Mines Ltd.	Brunswick Tin Mines Limited	Chester Mines Limited	Courvan Mining Company Limited	Eastern Explorers Corporation	Federal Metals Corporation
% of interest	80%	78%	100%	56.09%	73.33%	70.74%
Current assets	\$ 62	\$ 46,961	\$ 559	\$ 102,931	\$ 55	\$ 66,318
Investment at cost				355,764		
Buildings and equipment		196,110	13,500			
Deferred expenditures	20,227	1,830,613	1,391,468	513,794	3,498	806,483
Mining properties, licences, rights, claims and concessions (see note "A" below)	114,500	79,000	75,000	268,142	300,000	1,000,000
	<u>\$ 134,789</u>	<u>\$2,152,684</u>	<u>\$1,480,527</u>	<u>\$1,240,631</u>	<u>\$ 303,553</u>	<u>\$1,872,801</u>
Current liabilities :						
Parent company		\$ 160,438		\$ 11,927	\$ 157	
Affiliated		2,160				
Others		53,082				
Loans payable to parent company ..	\$ 6,300	1,520,000	\$ 231,000	15,000	3,390	
Expenses to be reimbursed by the issue of shares and debentures of the company	15,982		1,076,120			\$ 78,430
Capital stock — net of discount ..	112,507	417,004	173,407	1,502,585	300,006	1,794,371
Deficit				(288,881)		
	<u>\$ 134,789</u>	<u>\$2,152,684</u>	<u>\$1,480,527</u>	<u>\$1,240,631</u>	<u>\$ 303,553</u>	<u>\$1,872,801</u>

NOTE A — The amounts at which these items are recorded does not purport to represent their present or future value.

B — The total cost of the holdings and the loans and advances in the above unconsolidated subsidiaries is \$4,999,954.

NOTES TO COMBINED FINANCIAL STATEMENTS

as at August 31, 1970.

Note 1

The combined financial statements of Sullivan Mining Group Ltd. and East Sullivan Mines Limited as at August 31, 1970 is the most accurate and exact method of presenting them, in view of the category and financial activities of the main companies, their subsidiaries and affiliates.

Note 2

A) The combined financial statements include the accounts of the two main companies and those of the following subsidiaries: Nigadoo River Mines Limited (95.52%), Weedon Mines Ltd. (100%) and d'Estrie Mining Company Ltd. (100%), the former company being in production while the other two are preparing for production.

B) Certain subsidiaries are excluded in the combined balance sheet because they are at the exploration stage only and are not preparing for production, although in the case of Brunswick Tin Mines Limited and Chester Mines Limited, feasibility of their production is under study. Financial data relating to the excluded subsidiaries is shown on annex "1".

Note 3

- A) The balance sheet of September 2, 1969 is included for comparative purposes and has been prepared to take into account the combination of:
- (1) The opening balance sheet of Sullivan Mining Group Ltd. as at September 2, 1969 after amalgamation, consolidated with Nigadoo River Mines Limited (94.5%), Weedon Mines Limited (87.5%) and D'Estrie Mining Company Ltd. (100%).
 - (2) Balance sheet of East Sullivan Mines Limited as at August 31, 1969 after giving effect to the exchange of its holdings in Sullico Mines Limited and Sullivan Mines Ltd. for shares of Sullivan Mining Group Ltd. as at September 2, 1969.
- B) The combined earnings as at August 31, 1969 appearing on statement 2 result from a combination of the following and is prepared for comparative purposes:
- (1) The earnings of Sullivan Mines Ltd., Sullico Mines Limited and Quebec Lithium Corporation as if these companies had been amalgamated for the complete fiscal year ended August 31, 1969 instead of as at September 2, 1969, the date at which the amalgamation took place.
 - (2) The loss of Nigadoo River Mines Limited for the year ended August 31, 1969.
 - (3) The earnings of Cupra Mines Ltd. from September 1, 1968 to May 31, 1969 (prior to the sale of its net assets to Quebec Lithium Corporation).
 - (4) The earnings of Hastings Mining and Development Co. Ltd., from September 1, 1968 to March 5, 1969 (date of distribution of its assets).
 - (5) The earnings of East Sullivan Mines Limited for the year ended August 31, 1969.

All adjustments and eliminations materially affecting the combined financial statements were made.

Note 4 — Investments at cost and loans and advances:

	Cost	Market value
Subsidiaries not combined: (annex 1)		
Courvan Mining Company Limited	\$ 464,664	\$ 291,689
Other shares	1,588,912	—
Loans and advances	2,946,378	—
	<u>4,999,954</u>	<u>291,689</u>
Affiliated company:		
Shares	29,716	—
Loans and advances	13,541	—
Other securities:		
Shares	332,573	—
First mortgage income bonds	142,560	—
Mortgage receivable from employees and a director	88,188	—
	<u>\$ 5,606,532</u>	<u>\$ 291,689</u>

Note 5 — Pending legal procedures:

- A) Legal proceedings have been instituted against Hastings Mining and Development Co. Ltd. and Sullivan Mines Ltd. and their directors by two (2) former shareholders of Hastings Mining and Development Co. Ltd. for the purpose of cancelling the sale of the assets of Hastings Mining and Development Co. Ltd. to Sullivan Mines Ltd. The sale agreement dated October 18, 1968 between the two companies was approved at a special general meeting of the shareholders of both companies held on November 21, 1968. The proceedings have been contested and in the opinion of counsel for the said companies and directors, they are ill-founded in fact and in law.
- B) Objections to assessments for additional mining duties for the fiscal year 1966 have been lodged. These assessments together with similar provisions for subsequent years have been accounted for in the books of the amalgamated companies.
- C) No provision has been made in the financial statements for assessments for additional taxes on capital from the Minister of Revenue of Quebec for the fiscal periods 1965-1968 which are being contested by the companies which have amalgamated, nor for the subsequent periods. A \$100,000 Province of Quebec bond has been deposited as a guarantee for the above mentioned claims against the company as well as those of a similar nature against certain other companies which are now part of Sullivan Mining Group Ltd.
- D) Legal proceedings have been instituted against Sullico Mines Limited whereby the Plaintiffs are claiming 4/5 of the 340,000 escrowed shares of Sullipek Mines Inc. to be issued and allotted to Sullico Mines Limited and alternatively failing delivery of the claimed shares, the Plaintiffs have claimed the sum of \$1,000,000 of damages against Sullico Mines Limited. This litigation has arisen from an option granted by Sullico Mines Limited to Terra Nova Explorations Ltd. on certain claims situated in the Gaspé area of the Province of Quebec.

These proceedings have been contested and in the opinion of the company's counsel they are ill-founded in fact and in law.

Note 6 — Weedon and D'Estrie Mining Companies consolidated in the Sullivan Mining Group Ltd.:

The pre-production expenditures have not been amortized and no depreciation was calculated on the fixed assets during the year because these companies had no mining operations: they were exclusively in a mine development period.

Note 7 — Events subsequent to the year end:

The combined financial statements do not take into account additional assessments against Sullivan Mining Group Ltd. for federal income taxes amounting to \$56,233.74 for the years 1966 to 1968.

Note 8

The combined net earnings of Sullivan Mining Group Ltd. are not taxable because the company claimed for tax purposes pre-production expenditures in excess of the amount charged against earnings.

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

FINANCIAL STATEMENTS

as at August 31, 1970

East Sullivan Mines Limited

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

BALANCE SHEET

As at August 31, 1970

STATEMENT 1

ASSETS

CURRENT ASSETS

Cash in bank	\$ 25,640	
Loan receivable from subsidiary company	425,000	
Accrued interest	57	
Recoverable income tax	500	\$ 451,197

INVESTMENT IN SUBSIDIARY COMPANY AT COST — (Note 1)

4,675,000 shares Sullivan Mining Group Ltd. (Market value \$26,647,500) ..	13,143,279
MINING CLAIMS	200

\$13,594,676

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 419
------------------------	--------

CAPITAL STOCK

Authorized, issued and fully paid 4,675,000 shares without par value	\$ 4,250,000
Contributed surplus — Premium on shares issued	700,503
Retained earnings — Statement 3	8,643,754

\$13,594,257

\$13,594,676

Approved on behalf of the Board of Directors :

J. JACQUES BEAUCHEMIN
LUCIEN C. BÉLIVEAU

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders
East Sullivan Mines Limited,
(No Personal Liability),

We have examined the balance sheet of East Sullivan Mines Limited (No Personal Liability) as at August 31, 1970 and the statements of earnings, retained earnings and of source and application of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements, when read with the notes related thereto, present fairly the financial position of the company as at August 31, 1970 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

October 23, 1970

MAHEU, NOEL, ANDERSON, VALIQUETTE & ASSOCIES
Chartered Accountants.

The accompanying notes are part of the financial statements.

East Sullivan Mines Limited

(No Personal Liability)

STATEMENT OF EARNINGS

For the year ended August 31, 1970

STATEMENT 2

INCOME

Dividends received from subsidiary company	\$ 2,337,493	
Interest	<u>37,991</u>	\$ 2,375,484

DEDUCT :

Administration expenses — net		<u>35,218</u>
NET EARNINGS, carried to Retained earnings, statement 3		<u>\$ 2,340,266</u>

STATEMENT OF RETAINED EARNINGS

For the year ended August 31, 1970

STATEMENT 3

Balance at beginning of year	\$ 8,640,988	
ADD :		
Net earnings for the year as per statement 2	<u>2,340,266</u>	\$10,981,254
DEDUCT :		
Dividends paid		<u>2,337,500</u>
BALANCE AT END OF YEAR		<u>\$ 8,643,754</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended August 31, 1970

STATEMENT 4

Working capital at beginning of year		\$ 448,012
SOURCE OF FUNDS		
Net earnings for the year	\$ 2,340,266	
APPLICATION OF FUNDS		
Dividends paid	<u>2,337,500</u>	
Increase in working capital		<u>2,766</u>
WORKING CAPITAL AT END OF YEAR		<u>\$ 450,778</u>

The accompanying notes are part of the financial statements.

East Sullivan Mines Limited

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

As at August 31, 1970

Note 1

The accounts of the subsidiary, Sullivan Mining Group Ltd., have not been consolidated because of the substantial minority interest. It is the opinion of management that a more meaningful appraisal of its financial condition may be obtained from the attached financial statements together with the supplemental information contained in Note 2 and in the consolidated financial statements of Sullivan Mining Group Ltd. and combined financial statements of East Sullivan Mines Limited and Sullivan Mining Group Ltd. These latter statements are included in the 1970 annual report to the shareholders.

Note 2

The Company owns 4,675,000 shares of its subsidiary, Sullivan Mining Group Ltd., representing 55.6% of the outstanding capital stock. This investment is carried at cost and the income of the subsidiary is included in the accounts only to the extent of dividends received. The subsidiary owns 39.1% of the outstanding capital stock of the Company.

Note 3 — Contingent Liability

No provision has been made in the financial statements for assessments for additional taxes on capital from the Minister of Revenue of Quebec for the fiscal periods 1965-1968 amounting to \$20,547 which are being contested by the Company.

SULLIVAN MINING GROUP LTD.

and its Subsidiaries

FINANCIAL STATEMENTS

as at August 31, 1970

Sullivan Mining Group Ltd.

and its subsidiaries

(Incorporated under the Quebec Companies Act)

ASSETS

CURRENT ASSETS

Cash and term deposits	\$ 2,433,985	
Marketable securities at cost (market value \$4,879,954)	4,696,532	
Accounts receivable — unconsolidated subsidiaries	174,525	
— others	96,922	
Accrued interest receivable	37,754	
Concentrates valued at estimated net return under firm sales contracts, less advances thereon	3,914,211	
Mining, milling and refinery supplies :		
Valued at average cost	1,393,875	
Valued at possible amount of realization	209,697	
Prepaid expenses	74,250	
Recoverable income taxes and prepayments	<u>584,122</u>	\$13,615,873

INVESTMENTS AT COST AND LOANS AND ADVANCES — (note 3) 6,719,237

FIXED ASSETS — (Note 5)

Real estate at cost	111,175	
Land buildings, plant and equipment at cost less accumulated depreciation \$6,753,820	8,342,025	
Buildings plant and equipment at cost, reduced by proceeds of sales, less accumulated depreciation \$2,282,651	13,335	
Mining properties, claims and concessions at cost	<u>351,055</u>	8,817,590

OTHER ASSETS AT COST, less amounts written off

Deferred development expenditures — (Note 5)	11,974,620	
Outside exploration expenditures	1,021,892	
Other deferred expenses	<u>7,999</u>	13,004,511
		<u>\$42,157,211</u>

Approved on behalf of the Board of Directors :

J. JACQUES BEAUCHEMIN

ANDRÉ BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

CONSOLIDATED BALANCE SHEET

As at August 31, 1970

STATEMENT 1

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 664,371	
Wages payable	66,756	
Loan payable to East Sullivan Mines Limited — (Parent company)	425,000	
Provision for Quebec Mining duties (note 4).....	<u>250,763</u>	\$ 1,406,890

MINORITY INTEREST

51,591

CAPITAL STOCK :

Authorized — 10,000,000 shares without par value

Issued and fully paid — 8,400,000 shares	11,242,600
Contributed surplus — statement 3	4,677,177
Retained earnings — statement 4	<u>24,778,953</u>

SHAREHOLDERS' EQUITY 40,698,730

\$42,157,211

We have examined the consolidated balance sheet of Sullivan Mining Group Ltd. and its subsidiaries, Nigadoo River Mines Limited, Weedon Mines Ltd. and D'Estrie Mining Company Ltd. as at August 31, 1970 and the consolidated statements of earnings, contributed surplus, retained earnings and source and application of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanation given to us and as shown by the books of the Companies, the consolidated financial statements when read with the accompanying notes, present fairly the consolidated financial position of the Companies as at August 31, 1970 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles.

October 26, 1970.

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants.

The accompanying notes are part of the financial statements.

Sullivan Mining Group Ltd.

and its subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended August 31, 1970

STATEMENT 2

REVENUE FROM METAL RECOVERIES — Production	\$20,475,722	
Less : Cost of realization and freight	<u>7,275,029</u>	\$13,200,693
Deduct :		
OPERATING COSTS		
Mining operations	6,178,337	
General administration expenses	456,875	
Depreciation of buildings, plant and equipment	731,085	
Amortization of pre-production expenditures	<u>559,805</u>	7,926,102
OPERATING PROFIT		<u>5,274,591</u>
Deduct :		
OTHER EXPENSES		
Net recuperation and closing down expenses of closed and idle properties	103,468	
Outside exploration expenses written off	131,164	
Amortization of bond expenses of subsidiary	1,333	
Loss on disposal of fixed assets	8,862	
Interest expenses	<u>23,200</u>	268,027
		<u>5,006,564</u>
OTHER INCOME		
Interest from subsidiaries not consolidated	175,198	
Other interest	521,004	
Dividends from parent company	914,493	
Other dividends	58,792	
Profit on sales of investments	<u>41,380</u>	1,710,867
CONSOLIDATED EARNINGS before mining duties		<u>6,717,431</u>
Provision for Quebec Mining duties		215,000
NET EARNINGS		<u>6,502,431</u>
Add :		
Minority interest share of loss of Nigadoo River Mines Limited for the year		<u>11,959</u>
NET CONSOLIDATED EARNINGS FOR THE YEAR, carried to		
Retained earnings, statement 4 — (note 7)		<u>\$ 6,514,390</u>

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

For the year ended August 31, 1970

STATEMENT 3

Balance as at September 2, 1969	\$ 7,080,687
Deduct :	
Elimination of the excess of cost of intercompany investments over capital cancelled on amalgamation	<u>2,403,510</u>
Balance as at August 31, 1970	<u>\$ 4,677,177</u>

The accompanying notes are part of the financial statements.

Sullivan Mining Group Ltd.

and its subsidiaries

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended August 31, 1970

STATEMENT 4

Balance as at September 2, 1969			\$22,031,513
Add :			
Excess of value of holdings in subsidiaries over their cost :			
Nigadoo River Mines Limited	\$	842,398	
Weedon Mines Ltd.		56,249	898,647
Discount on income bonds written-off in books of consolidated subsidiary .			<u>125,000</u>
			23,055,160
Deduct :			
Interest charged in prior years included in pre-production expenditures of consolidated subsidiaries			<u>416,996</u>
Adjusted balance as at September 2, 1969			22,638,164
Add :			
Net consolidated earnings for the year			<u>6,514,390</u>
			29,152,554
Deduct :			
Dividends paid		4,200,000	
Excess of cost over value of shares of consolidated subsidiaries, acquired during the year :			
Nigadoo River Mines Limited	\$	2,290	
Weedon Mines Ltd.		93,900	96,190
Amalgamation and reorganization expenses written off		75,533	75,533
Adjustment of prior years' income taxes		1,878	<u>4,373,601</u>
Balance as at August 31, 1970			<u>\$24,778,953</u>

Consolidated Statement of Source and Application of Funds

for the year ended August 31, 1970

STATEMENT 5

Working capital as at September 2, 1969			\$16,496,290
SOURCE OF FUNDS :			
Net profit for the year	\$	6,514,390	
Add : item not requiring any outlay of cash :			
Depreciation		731,085	
Amortization of deferred expenses		2,340	
Amortization of pre-production expenses		559,805	
Outside exploration written-off		131,164	<u>\$ 7,938,784</u>
Deferred expenses in 1969 reclassified as a current asset ..			<u>10,351</u>
			7,949,135
APPLICATION OF FUNDS :			
Additions to fixed assets (net of proceeds)		1,059,678	
Minority interests share of the loss of a consolidated subsidiary		11,959	
Investments acquired :			
Loans and advances to subsidiaries		1,706,587	
Loans and advances to Affiliate		10,766	
Purchases of shares in subsidiaries		386,019	
Purchases of debentures of subsidiary company		269,902	
Purchases of other securities		212,293	
Outside exploration expenses		143,773	
Pre-production expenses		4,171,518	
Reclassification of a long-term debt to current liabilities ...		21,475	
Mortgages to employees (net of instalments received) ...		40,594	
Prior years' income tax adjustment		1,878	
Payments of dividends		4,200,000	<u>12,236,442</u>
Decrease in working capital			<u>4,287,307</u>
Working capital at August 31, 1970			<u>\$12,208,983</u>

The accompanying notes are part of the financial statements.

Sullivan Mining Group Ltd.

SUBSIDIARY COMPANIES NOT CONSOLIDATED

As at August 31, 1970

ANNEX 1

	Brompton Mines Ltd.	Brunswick Tin Mines Limited	Chester Mines Limited	Courvan Mining Company Limited	Eastern Explorers Corporation	Federal Metals Corporation
% of interest	80%	78%	100%	56.09%	73.33%	70.74%
Current assets	\$ 62	\$ 46,961	\$ 559	\$ 102,931	\$ 55	\$ 66,318
Investment at cost				355,764		
Buildings and equipment		196,110	13,500			
Deferred expenditures	20,227	1,830,613	1,391,468	513,794	3,498	806,483
Mining properties, licences, rights, claims and concessions (see note "A" below)	114,500	79,000	75,000	268,142	300,000	1,000,000
	<u>\$ 134,789</u>	<u>\$2,152,684</u>	<u>\$1,480,527</u>	<u>\$1,240,631</u>	<u>\$ 303,553</u>	<u>\$1,872,801</u>
Current liabilities :						
Parent company		\$ 160,438		\$ 11,927	\$ 157	
Affiliated		2,160				
Others		53,082				
Loans payable to parent company ..	\$ 6,300	1,520,000	\$ 231,000	15,000	3,390	
Expenses to be reimbursed by the issue of shares and debentures of the company	15,982		1,076,120			\$ 78,430
Capital stock — net of discount ..	112,507	417,004	173,407	1,502,585	300,006	1,794,371
Deficit				(288,881)		
	<u>\$ 134,789</u>	<u>\$2,152,684</u>	<u>\$1,480,527</u>	<u>\$1,240,631</u>	<u>\$ 303,553</u>	<u>\$1,872,801</u>

NOTE A — The amounts at which these items are recorded does not purport to represent their present or future value.

B — The total cost of the holdings and the loans and advances in the above unconsolidated subsidiaries is \$4,999,954.

The accompanying notes are part of the financial statements.

Sullivan Mining Group Ltd.

and its subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at August 31, 1970

Note 1

Sullivan Mining Group Ltd. — Groupe Minier Sullivan Ltée was formed on September 2, 1969 by the amalgamation under the provisions of the Quebec Companies Act, of Sullivan Mines Ltd., Sullico Mines Limited and Quebec Lithium Corporation.

Note 2 — Principles of consolidation

- The consolidated financial statements include the accounts of the Company and those of the following subsidiaries: Nigadoo River Mines Limited (95.52%), Weedon Mines Ltd. (100%) and d'Estrie Mining Company Ltd. (100%), the former company being in production while the other two are preparing for production.
- Certain subsidiaries are not consolidated in the balance sheet of Sullivan Mining Group Ltd. because they are at the exploration stage only and are not preparing for production.
- Appearing on annex 1 is a summary showing total essential data relating to the unconsolidated subsidiaries.

Note 3

- The Company owns 1,828,968 shares of the parent company East Sullivan Mines Limited, representing 39.1% of the outstanding capital stock. This investment is carried at cost and the income of the parent is included in the accounts only to the extent of dividends received. The parent owns 55.6% of the outstanding capital stock of the company.
- Investments at cost and loans and advances:

	Cost	Market Value
Parent company — East Sullivan Mines Limited	\$1,112,705	\$10,242,221
Unconsolidated subsidiaries (Annex 1) :		
Courvan Mining Company Limited	464,664	291,689
Other shares	1,588,912	—
Loans and advances	2,946,378	—
	<u>4,999,954</u>	<u>291,689</u>
Affiliated company :		
Shares	29,716	—
Loans and advances	13,541	—
Other securities :		
Shares	332,573	—
First mortgage income bonds	142,560	—
Mortgages receivable from employees and a director	88,188	—
	<u>\$6,719,237</u>	<u>\$10,533,910</u>

Note 4 — Pending legal procedures

- Legal proceedings have been instituted against Hastings Mining and Development Co. Ltd. and Sullivan Mines Ltd. and their directors by two (2) former shareholders of Hastings Mining and Development Co. Ltd. for the purpose of cancelling the sale of the assets of Hastings Mining and Development Co. Ltd. to Sullivan Mines Ltd. The sale agreement dated October 18, 1968 between the two companies was approved at a special general meeting of the shareholders of both companies held on November 21, 1968. The proceedings have been contested and in the opinion of counsel for the said companies and directors, they are ill-founded in fact and in law.
- Objections to assessments for additional mining duties for the fiscal year 1966 have been lodged. These assessments together with similar provisions for certain years have been duly accounted for in the books of the amalgamated companies.
- No provision has been made in the financial statements for assessments for additional taxes on capital from the Minister of Revenue of Quebec for the fiscal periods 1965-1968 which are being contested by the companies which have amalgamated, nor for the subsequent periods. A \$100,000 Province of Quebec bond has been deposited as a guarantee for the above mentioned claims as well as those of a similar nature against certain other companies which are now part of Sullivan Mining Group Ltd.
- Legal proceedings have been instituted against Sullico Mines Limited whereby the Plaintiffs are claiming 4/5 of the 340,000 escrowed shares of Sullipek Mines Inc. to be issued and allotted to Sullico Mines Limited and alternatively failing delivery of the claimed shares, the Plaintiffs have claimed the sum of \$1,000,000 of damages against Sullico Mines Limited. This litigation has arisen from an option granted by Sullico Mines Limited to Terra Nova Explorations Ltd. on certain claims situated in the Gaspé area of the Province of Quebec. These proceedings have been contested and in the opinion of the company's counsel they are ill-founded in fact and in law.

Note 5 — Weedon Mines Ltd. and d'Estrie Mining Company Ltd.

The pre-production expenditures have not been amortized and no depreciation was calculated on the fixed assets during the year because the companies had no mining operations: the mines were in a period of mine development.

Note 6 — Events subsequent to year end

The consolidated financial statements do not take into account additional assessments for federal income taxes amounting to \$56,233.74 for the years 1966 to 1968.

Note 7

The net earnings for the year are not taxable because the company claimed for tax purposes pre-production expenditures in excess of the amount charged against earnings.

Officers and Directors

Chairman of the Board

JEAN BEAUCHEMIN

President

J. JACQUES BEAUCHEMIN, Q.C.*

Executive Vice-President

ANDRE BEAUCHEMIN, Eng.*

Vice-President (Mines)

LUCIEN C. BELIVEAU, Eng.*

Secretary-Treasurer

REAL J. LAFLEUR

* Executive Committee

OTHER DIRECTORS OF SULLIVAN MINING GROUP LTD.

GENDRON BEAUCHEMIN, Eng.

MARC H. DHAVERNAS, D.E.Sc.

Brig. Gen. J. GUY GAUVREAU

J. ERNEST LAFORCE

PAUL F. McDONALD, B.C.L.

ALEXANDRE J. MONTMINY

Other Officers

General Manager

ROGER PLASSE, Eng.

Exploration Manager

GILLES CARRIERE, Eng.

Assistant Secretary-Treasurer

FERNAND CORDEAU, C.A.

Registrar and Transfer Agents

GUARANTY TRUST COMPANY OF CANADA

Montreal - Toronto

BANKERS TRUST COMPANY

New York

Auditors

MAHEU, NOEL, ANDERSON,

VALIQUETTE & ASSOCIÉS

Montreal

OTHER DIRECTORS OF EAST SULLIVAN MINES LIMITED

CLAUDE BEAUCHEMIN, Attorney

P. ERNEST BEAUCHEMIN, Q.C.

ALBERT DOYON, Economist

Major JACQUES GAUVREAU

ANDRE LATREILLE, Eng.

Mine Managers

Sullivan Mining Group Ltd.

Cupra, D'Estrie
& Weedon Mines

R. B. GOSSELIN, Eng.

Nigadoo River Mines Limited

MARTIN J. GAUVIN, Eng.

Brunswick Tin Mines Limited

O. ROBERT WRAY, Eng.

Shares Listed

CANADIAN STOCK EXCHANGE

TORONTO STOCK EXCHANGE

Head Office

Suite 2500 - B.C.N. Building

500 Place D'Armes

Montreal 126, Quebec

